

WAIS Inc

Wide Area Information Servers

Members of the Board:

In this board meeting, I suggest we move quickly over the current status of WAIS Inc and talk about how we fit into the larger community of network applications. Furthermore, I would like to set the tone for future board meetings and discuss who should be present for those meetings. From this discussion, I would like to end with people's perspectives on how we should structure ourselves and finance the operation.

WAIS Inc is doing well financially and sales are strong. We are growing to meet the task of delivering all that is being sold and anticipating upcoming competition.

We finished last year with just under \$1M in sales and slightly profitable. This is on plan and as expected. The first quarter looks exceptional while we projected \$500k, it looks like just under \$1M in revenue and solid bookings for the coming quarter. (This is largely due to the professional and energetic efforts of Bruce Gilliat, our new VP of Sales and Marketing). This could put us over the \$3M goal for this fiscal year.

We are staffing up: we are currently 18 employees (where 4 are contractors). A telesales person, VAR sales, publisher sales, and an engineer have joined our full-time ranks since the planning meetings. I would say that growing the infrastructure of the engineering and information services operations is one of our challenges of the next couple of months. Nick Sharf has been helping on the financial management of the company as a consultant. Nick and I are surveying our engineering salaries to try to bring them into line with industry practice. Allen Morgan (of Wilson Sonsini Goodrich & Rosati) is joining us as our new corporate counsel and will be present at the board meeting.

Information Services now being sold by the sales department and are selling well! We have signed 2 services (CMP and Reuters) this quarter, both with short time frames. Fulfilling these commitments is currently a strain on our organization.

Product competition will be coming from search engine companies, new companies (InfoSeek, Mosaic Comm Corp), and large software vendors (Microsoft). Our strategy is to license parts of our code into those software bases and then grow the relationship. This has been somewhat successful, but requires more effort.

I would like to discuss our holding regular board meetings in order to refine our strategy, expand our partnership opportunities, and keep us on track. We have a danger of not keeping a long term view as our business heats up.

Thank you again for coming. I hope the accompanying materials are of interest. If you have any questions, please call me any time or bring them up at the meeting.

Sincerely yours,



Brewster Kahle

enc.:

Agenda

Corporate Objectives from the planning meetings

Financial summary

WAIS, INC.

BOARD MEETING AGENDA

September 23, 1994

10 a.m. - 4 p.m.

10:00 am - 12 noon Company Business
12 noon - 1:00 pm Lunch Break
1:00 pm - 1:30 pm Legal Issues
1:30 pm - 4:00 pm Publishing Business and Company Structure

4:15 Bill → Airport
3:15 Alan

ATTENDEES:

Brewster Kahle, President
John Duhring, Vice President of Business Information Services
Bruce C. Gilliat, VP of Sales/Marketing
William Dunn, Member of Board of Directors
Nick Scharf, Consultant
Allen Morgan, Secretary of the Company

WAIS, Inc. Plan 95
Corporate Objectives
September 1, 1994

1. Evolve the technology to insure that it is current, complete and provides the basis for dominating the Wide Area Network Publishing Industry as measured by:

PROTOCOLS

- 1.1 Publishing a Protocol Proliferation Plan by August 15, 1994
- 1.2 Publishing a Protocol Design document by August 30, 1994 which addresses how alternative protocols can be integrated or replaced
- 1.3 Submitting a WAIS Z39.50 standard proposal to the standards committee by September 15, 1994
- 1.4 Signing protocol licensing deals which provide WAIS, Inc. with royalty or per unit revenue --
Q1 95 2
Q2 95 2
Q3 95 3
Q4 95 3
- 1.5 Releasing version two of the Z39.50 protocol by December 31, 1994

PRODUCTION SERVICES

- 1.6 Publishing a design for a complete "turnkey" wide area network publishing system The design should identify missing components and procedures. The design has the following segments and target dates:
 - a. **Network Publishing Business Process** -- the sequence of events for a customer to bring up a WAIS publishing system, includes steps such as sales steps, prototypes, design effort, database conversion, testing, etc. by August 1, 1994
 - b. **Network Publishing Technical Design**--the software and hardware components of the system by September 1, 1994
 - c. **Network Publishing Operational Design**--the daily, weekly and monthly operational processes for the content provider and the WAIS, Inc. data center by September 1, 1994
- 1.7 Having in-house and smoothly operational the first two publishing service bureau operations by September 1, 1994.
- 1.8 Announcing a complete, scalable turnkey publishing capability by September 1, 1994

1.9 Signing and bringing on line new production services deals

	<u>Sign</u>	<u>On-Line</u>	<u>Total</u>
1994	2		
Q1 95	2		
Q2 95	4	2	2
Q3 95	5	2	4
Q4 95	6	4	8

CLIENT TECHNOLOGY

1.10 Identifying by August 1, 1994, five of the top client development companies to target as marketing, co-development and demonstration partners and having signed letter of intent partnership arrangements with at least two by December 31, 1994.

1.11 Developing and having available to market a client tool-kit for Z39.50v2 by September 1, 1994, WAIS Z39.50V2 by March 30, 1995

1.12 Developing or partnering a Client prototype by January 15, 1995 which demonstrates the advantages of the WAIS Z39.50 protocol

1.13 Having a client development partner ship a new client program which incorporates the WAIS Z39.50 protocol by June 30, 1995

SERVER TECHNOLOGY

1.14 Having available for shipment the 2.0 release of the WAIS server by September 30, 1994

1.15 Completing the Network Publishing Technical Design (server release 3.0) by September 1, 1994 (same as 1.6b above)

1.16 Having the server release 3.0 installable by October 31, 1995

2. Achieve 1995 revenue goals as measured by quarterly revenues (1,000's) of:

	<u>Products</u>	<u>Services</u>	<u>Total</u>
Q1 95	\$330	\$170	\$500
Q2 95	\$470	\$230	\$700
Q3 95	\$540	\$260	\$800
Q4 95	\$670	\$330	\$1,000
totals	\$2,010	\$990	\$3,000

3. Establish a distribution process for products and services which provides WAIS access to key national and international markets as measured by:

3.1 Having in place the telesales process and staff to sell two servers per week by August 10, 1994

3.2 Having the telesales group at a run rate of \$100k per month for the months of October 1994-December 1994

3.3 Having the telesales group at a run rate of \$150K per month for the months of January-June 1995

3.4 Having signed agreements with six U.S. VARs by January 1, 1995

3.5 Having signed agreements with 24 U.S. VARs by June 30, 1995

3.6 Having defined and functioning a VAR support process by January 15, 1995

3.7 Having signed distribution agreements with at least 3 International Distributor/VARs by January 1, 1995

3.8 Having identified and profiled the top 10 Systems Integrators for electronic publishing by January 1, 1995.

3.9 Having partnering agreements with at least 3 of the Systems Integrators capable of winning multi-million dollar contracts by January 1, 1995.

3.10 Having begun joint design and installation projects with at least two systems integrators (as defined by 3.9) by March 1, 1995.

3.12 Having defined the U.S. Federal Government Business Development Process by October 1, 1994 and having consolidated or staffed the office by January 1, 1995.

3.13 Having defined a strategy for the telesales role for Production Services by December 1, 1994 for implementation by February 1, 1995.

4. Implement a partnering program which insures focus on appropriate partners as defined by the Partnering Strategy document as measured by:

4.1 Signing distribution agreements by December 31, 1994 with international partners who can offer access to the largest Asian and largest European markets.

4.2 Obtaining a commitment from at least two significant systems integrators by October 31, 1994 to make the WAIS, Inc. technology a significant component of their electronic publishing integration strategy.

5. Put in place the organizational structure which can take the company through the next two years of rapid growth as measured by:

5.1 Hiring a VP/Director of Development by December 1, 1994

5.2 Hiring a COO by February 1, 1995 (based upon being ready to expand the Production Services Function, which requires that objectives 1.6, 1.7, and 1.8 have been completed).

WAIS, Inc.
Forecast and Business Update
9/19/94

	Q1	Q2	Q3	Q4	Total
Revenues					
Corporate Objectives	500,000	700,000	800,000	1,000,000	3,000,000
Budget	609,000	517,000	761,000	1,103,000	2,990,000
Current Forecast	<u>938,000</u>	<u>790,000</u>	<u>763,000</u>	<u>1,104,000</u>	<u>3,595,000</u>
Better(worse) -objective	438,000	90,000	(37,000)	104,000	595,000
Better(worse) -Budget	329,000	273,000	2,000	1,000	605,000
Pretax Profit					
Budget	213,000	(16,000)	48,000	330,000	575,000
Current Forecast	<u>613,000</u>	<u>135,000</u>	<u>(41,000)</u>	<u>249,000</u>	<u>956,000</u>
Better(worse)	400,000	151,000	(89,000)	(81,000)	381,000
Cash					
Budget	311,000	177,000	141,000	288,000	
Current Forecast	<u>225,000</u>	<u>558,000</u>	<u>528,000</u>	<u>597,000</u>	
Better(worse)	(86,000)	381,000	387,000	309,000	
Taxes Payable Sept 95					
Budget	230,000				
Current Forecast	<u>421,000</u>				
Better(worse)	(191,000)				
	Q1	Q2	Q3	Q4	
New Publishing Services Sold					
Corporate Objectives	2	4	5	6	
Current Forecast	<u>2</u>	<u>4</u>	<u>5</u>	<u>6</u>	
Better(worse)					
Publishing Services Open					
Corporate Objectives		2	4	8	
Current Forecast	2	3	6	7	
Better(worse)					
Progress on Corporate Objectives	(1= done, 0=not done 1/2= progress made)				
1. Evolving the technology					
Protocols	1/2				
Production Services	0				
Client Technology	0				
Server Technology	1				
2. Revenue	1				
3. Distribution Process	1/2				
4. Partnering program	1/2				
5. Organizational Structure	N/A				

Report 2
19-Sep-94

WAIS, Inc.

FY1995 Balance Sheet Forecast

A/R days: 25

	A/R less	100% Jun-94	34% Jul-94	115% Aug-94	100% Sep-94	100% Oct-94	100% Nov-94	100% Dec-94	100% Jan-95	100% Feb-95	100% Mar-95	100% Apr-95	100% May-95	100% Jun-95
Current Assets														
Cash		\$134,341	\$177,899	\$176,637	\$216,799	\$525,323	\$601,486	\$549,513	\$567,054	\$528,783	\$519,540	\$491,455	\$541,318	\$588,914
Accounts Receivable		\$101,023	196,910	171,302	475,000	278,500	130,000	249,500	166,667	282,315	186,481	260,185	278,519	381,019
Deposits & Prepays		5,875	2,395	2,395	2,395	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Total Current Assets		241,239	377,204	350,334	694,194	818,823	746,486	814,013	748,720	826,098	721,022	766,640	834,836	984,932
Fixed Assets														
Furniture		4,741	4,741	4,741	4,741	9,741	9,741	9,741	9,741	19,741	19,741	19,741	19,741	19,741
Equipment & Software		81,776	87,403	90,403	90,403	110,403	115,403	115,403	136,403	141,403	141,403	141,403	141,403	141,403
Production Services		3,301	3,301	3,301	3,301	8,301	11,301	26,301	26,301	26,301	41,301	46,301	46,301	61,301
Accumulated Depreciation		(30,053)	(32,652)	(35,333)	(38,015)	(41,392)	(45,074)	(49,172)	(53,854)	(58,675)	(64,079)	(69,622)	(75,165)	(81,125)
Net Fixed Assets		\$59,765	\$62,793	\$63,112	\$60,430	\$87,053	\$91,371	\$102,273	\$118,591	\$128,770	\$138,366	\$137,823	\$132,280	\$141,320
Other Assets		3,815	3,735	3,815	3,815	3,815	3,815	3,815	3,815	3,815	3,815	3,815	3,815	3,815
Total Assets		\$304,819	\$443,732	\$417,260	\$758,438	\$909,691	\$841,673	\$920,101	\$871,126	\$958,683	\$863,203	\$908,278	\$970,931	\$1,130,068
Current Liabilities														
Accounts Payable		114,206	\$124,559	\$46,128	\$34,513	\$42,741	\$30,403	\$61,114	\$39,613	\$90,566	\$44,816	\$49,239	\$75,339	\$62,489
Accounts Receivable Line of Credit														
Note Payable - B Kahle		48,711	48,711	48,711	48,711	48,711	48,711	48,711	48,711	48,711	48,711	48,711	48,711	48,711
Deferred Revenue		79,253	79,235	77,000										
Accrued Income Taxes			56,574	80,420	269,529	332,460	307,960	328,956	316,868	332,973	311,092	328,979	345,062	420,736
Total Current Liabilities		242,170	309,079	252,259	352,753	423,912	387,074	438,780	405,191	472,250	404,619	426,929	469,112	531,936
Shareholders' Equity:														
Paid in Capital		25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000	25,000
Current Year Income (Loss)		37,269	72,004	102,353	343,037	423,131	391,950	418,671	403,286	423,784	395,935	418,701	439,170	535,483
Retained Earnings (Deficit)		380	37,649	37,649	37,649	37,649	37,649	37,649	37,649	37,649	37,649	37,649	37,649	37,649
Total Equity		62,649	134,653	165,002	405,686	485,780	454,599	481,320	465,935	486,433	458,584	481,350	501,819	598,132
Total Liabilities & Equity		\$304,819	\$443,732	\$417,260	\$758,438	\$909,691	\$841,673	\$920,101	\$871,126	\$958,683	\$863,203	\$908,278	\$970,931	\$1,130,068

Report 1
19-Sep-94

WAIS, Inc.
FY1995 Income Statement Forecast

	Jul-94	Aug-94	Sep-94	Oct-94	Nov-94	Dec-94	Jan-95	Feb-95	Mar-95	Apr-95	May-95	Jun-95	Total
REVENUE													
Products	\$129,062	\$91,150	\$400,000	\$316,000	\$126,000	\$205,000	\$150,000	\$177,778	\$177,778	\$222,222	\$222,222	\$222,222	\$2,439,434
Government Contract													
Production Services	\$60,000	\$87,600	\$70,000	\$18,200	\$30,000	\$94,400	\$50,000	\$161,000	\$46,000	\$90,000	\$112,000	\$235,000	1,054,200
International			\$100,000										100,000
Total Revenue	189,062	178,750	570,000	334,200	156,000	299,400	200,000	338,778	223,778	312,222	334,222	457,222	3,593,634
COST OF GOODS SOLD													
Subcontractors													
Total Cost of Goods													
GROSS MARGIN	189,062	178,750	570,000	334,200	156,000	299,400	200,000	338,778	223,778	312,222	334,222	457,222	3,593,634
	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%	100%
Marketing & Sales	10,011	23,208	35,533	43,939	39,573	49,309	46,517	101,096	66,846	63,768	89,868	71,018	640,685
Production Services	12,456	30,625	27,625	36,739	43,637	43,887	43,887	48,271	47,687	47,826	47,826	48,243	478,710
Development	19,278	28,161	37,988	56,637	75,176	98,392	76,976	78,115	85,115	85,115	85,115	85,115	811,180
G&A	19,081	42,561	39,061	53,861	53,294	60,094	60,094	74,694	73,861	74,861	74,861	80,861	707,182
Total Expenses	60,826	124,555	140,207	191,176	211,680	251,683	227,474	302,175	273,508	271,569	297,669	285,236	2,637,757
Net Operating Income(Loss)	128,236	54,195	429,793	143,024	(55,680)	47,717	(27,474)	36,603	(49,730)	40,653	36,553	171,986	955,877
Interest Income (Expense)													27%
													342
Pretax Income(Loss)	128,578	54,195	429,793	143,024	(55,680)	47,717	(27,474)	36,603	(49,730)	40,653	36,553	171,986	956,219
Income Taxes	56,574	23,846	189,109	62,931	(24,499)	20,996	(12,088)	16,105	(21,881)	17,887	16,083	75,674	420,736
NET INCOME(LOSS)	\$72,004	\$30,349	\$240,684	\$80,094	(\$31,181)	\$26,722	(\$15,385)	\$20,498	(\$27,849)	\$22,766	\$20,470	\$96,312	\$535,483

WIDE AREA INFORMATION SERVERS, INC.
BALANCE SHEET AS OF 6/30/94

ASSETS

Current Assets	
Petty Cash	500.00
UNB-Checking	(40,013.62)
UNB-Money Market	173,855.21

Total Cash	134,341.59
Accounts Receivable	101,022.51
Prepays	3,480.00
Deposits	2,395.34

Total Current Assets	241,239.44
Fixed Assets	
Furniture & Fixtures	4,741.15
Accum. Depr.	(677.98)
Computer Equipment	81,776.23
Accum Depr.	(27,541.23)
Network Equipment	3,301.00
Accum. Depr.	(1,833.89)

Total Fixed Assets	59,765.28
Other Assets	
Organization Costs	4,769.00
Accum. Amort.	(954.00)

Total Other Assets	3,815.00
TOTAL ASSETS	304,819.72

LIABILITIES

Current Liabilities	
Accounts Payable	7,500.00
A/P Accrual	88,340.80
Payroll Taxes Payable	17,127.36
Sales Tax Payable	1,237.50

Total Current Liabilities	114,205.66
Other Liabilities	
Notes Payable - Kahle	48,711.39
Deferred Revenue	79,253.00

Total Other Liabilities	127,964.39
TOTAL LIABILITIES	242,170.05

EQUITY

Common Stock	25,000.00
Retained Earnings	380.43
Retained Earnings - Current	37,269.24

TOTAL EQUITY	62,649.67
TOTAL LIABILITIES & EQUITY	304,819.72

WIDE AREA INFORMATION SERVERS, INC.
INCOME STATEMENT FOR THE YEAR ENDING 6/30/94

INCOME:

Consulting Income	\$18,500.00
Information Services	50,000.00
Contract Sales	167,006.18
Product Sales - Server S/W	700,300.00
Product Sales - Demo	15,000.00
Interest Earned	2,348.30
<hr/>	

TOTAL REVENUE	\$953,154.48
---------------	--------------

EXPENSES:

Accounting & Bookkeeping	\$12,805.00
Advertising	698.22
Organizational Cost Amort.	954.00
Bank Charges	335.00
Computer Supplies	19,888.83
Depreciation	12,265.10
Dues & Subscriptions	254.21
Entertainment	802.59
Equipment Rental	4,430.89
Insurance	8,230.00
Interest Expense	4,815.00
Legal Fees	8,431.48
Marketing Expenses	10,213.91
Medical Insurance & Reimb.	11,108.18
Miscellaneous Expenses	282.34
Network Access Fees	3,207.63
Office Supplies & Expenses	25,732.28
Paging Services	59.40
Payroll Service Fees	799.55
Staff Salaries	278,008.45
Officers Salaries	192,463.77
Security	1,229.72
Postage & Courier	5,203.02
Professional Fees	112,087.86
Rent	36,240.00
Repairs & Maintenance	2,110.00
Software Expenses	10,356.78
Software Expense/Databases	23,150.00
Tax, Licenses & Fees	1,113.57
Tax - Franchise	800.00
Tax - Payroll	41,060.13
Tax - Property	438.84
Tax - Federal	300.00
Telephone	35,476.07
Online Services	3,998.50
Travel - Costs	30,682.57
Travel - Meals	3,945.62
Travel - Accomodation	11,906.73
<hr/>	
TOTAL EXPENSES	\$915,885.24
<hr/>	
NET PROFIT (LOSS)	\$37,269.24